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Physical Settlement in Equity Derivatives :-

Physical Settlement in Equity Derivatives: (Current month expiry)

As per a SEBI mandate, physical settlement is compulsory if a trader holds a position in any of the stock F&O contracts on an expiry date.

Physical Delivery obligation

TYPES	LONG	SHORT
Futures	security Receivable	Security Deliverable
ITM CALL OPTION	security Receivable	security Deliverable
ITM PUT OPTION	security Deliverable	security Receivable

In addition to margins applicable for F&O segment, delivery margins shall be levied on potential in-the-money long option positions four (4) trading days prior to expiry of derivative. Contract which has to be settled through delivery. Example - If expiry of derivative contract is on Thursday, the delivery margins on potential in-the-money long option position shall be applicable from previous Friday BOD. From Expiry - 4 day BOD client level potential in-the-money long option positions shall be computed on a daily basis. In-the-Money options shall be identified based on the closing. Price of the security in the underlying Capital Market segment on the respective day. In-the-money long option positions shall be valued at strike price. Delivery margins at the client level shall be computed as per the margin rate applicable in capital Market segment (i.e. VAR, Extreme Loss Margins) of the respective security. Delivery margins on potential in-the-money long option positions shall be levied at client. Level and collected in a staggered manner as under:

Day	Margin Requirement for Long options (ITM)
T-4	10%
T-3	25%
T-2	45%
T-1	70%

The delivery margins on potential in-the-money long option positions shall be recomputed Only at EOD basis considering the revised position, underlying prices and margin rates. Members shall be required to collect the delivery margins on potential in-the-money long option positions and shall be included in the client margin reporting for clearing and trading Members.

Post expiry, positions which are converted to delivery settlement, margins as applicable in Capital Market segment (i.e. VAR, Extreme Loss Margins, and Mark to Market margins) shall be Applicable and levied as delivery margins. Any shortfall in margin maintenance will attract Margin shortfall penalty from the exchange.

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